

Pls Ex. 1
(PCCX41 - Project Basquiat Final
Posting Memo)

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Project Basquiat

Final Posting Memo

June 12, 2016

Executive Summary

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- To supplement our various presentations on the UFC business plan, cost savings, structure, etc., the purpose of this presentation is to review:
 - **Diligence findings**, with a focus on top diligence questions raised by our financing partners
 - **2016 budget deep dive**, to level-set expectations based on diligence findings and YTD performance
 - **Capitalization & returns modelling**, based on final or near final capitalization structure
 - Legal and accounting diligence summary: UFC is clean, and well put together
 - Business case/financial diligence summary: with some upsides and downsides noted in the presentation, overall we believe our base case remains reasonable, with the biggest drivers being maintenance and modest growth of PPV, and the US media deal renewal in 2019
 - For consistency with various financing sources using our original 2016 budget and projections, we have not changed our business case

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- UFC is a unique opportunity to i) own a global sport at the intersection of our core capabilities, and ii) put large quantum of capital to work with potential for significant equity value creation

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Rare Ownership Opportunity in Sports, Uniquely Aligned with WME | IMG Capabilities

Vast majority of sports leagues are not “buyable”...



And of the few that are ...

...UFC has the greatest remaining growth potential, and the lowest barriers to efficiently scale (no teams, no stadiums, no tracks, etc.)

WME | IMG is Uniquely Positioned

UFC Business Driver	% of UFC Revenue ⁽¹⁾	WME IMG Capability
Domestic Media	62%	<i>WME IMG is the #1 U.S. television agency</i>
International Media	13%	<i>WME IMG is #1 in Int'l Sports media distribution</i>
Content Production	N/A	<i>WME IMG is a leader in sports media production, with 20k+ hours of sports production and has a best-in-class original content team</i>
Live Events	12%	<i>WME IMG is the producer of 125+ live events/yr, each with 5K+ attendees</i>
Sponsorship & Licensing	12%	<i>WME IMG is a global leader in sports sponsorship and brand licensing</i>

Note: live events includes owned and operated, represented and managed properties.

(1) Revenue as per 2015A. Domestic media includes residential and commercial PPV + digital (Fight Pass + VOD) revenue.

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Global Sport with Passionate & Attractive Fan Base

(fan reach reported in m)

Desirable, Engaged Audience...	...With Unique Global Reach	
	Territory	UFC Fans (m)
▪ Growing base of over 261m fans around the world	EMEA (other)	43
▪ 39m U.S. fans, over one-quarter are avid fans	USA & Canada	43
– 45% of U.S. fans are 18 – 34yr, a coveted and hard-to-reach demographic	Brazil	37
– Highest composition of millennial fans compared to marquee sports leagues	China	37
– UFC's fan base (74% white) is more diverse than the general U.S. population	Mexico	20
– Over-indexes in Hispanic and African American audiences, and on par with MLS and NBA, respectively	Russia	13
– Female audience peaks around female events (Ronda in particular), with upside as we bring more women into the league	Philipeans	12
▪ Significant growth in US fan base within attractive demographics	LatAM (other)	11
– 7% – 10%+ audience growth in 2015 across 18 – 34yr, \$75k+ HHI, and college graduates	Japan	11
▪ Fans significantly over-index in digital / streaming, social, etc.	Other APAC	35
– 46m followers across social media channels	Total	261
– Massive reach and activity on social media around UFC events, driven by engaged fan base		
▪ Diverse talent mix – c. 50% of fighters are international athletes		

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Revenue Growth Drivers

(\$ in m)

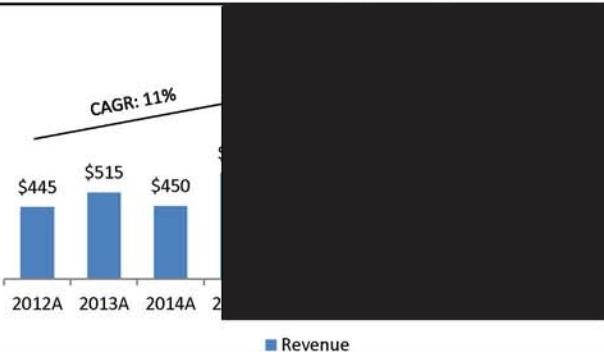
Category	Base Case '15 – '20 Growth	Diligence Commentary
Current Fox Deal		
Next Media Deal		
Int'l Media Rights		
Digital / OTT		
Sponsorship		
Licensing		
Live Events		
Pay-per-view		
Revenue Growth		

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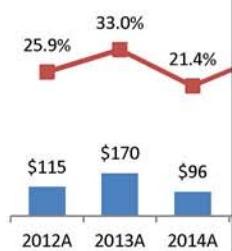
Attractive Acquisition Target with Strong Financial Profile

(\$ in m)

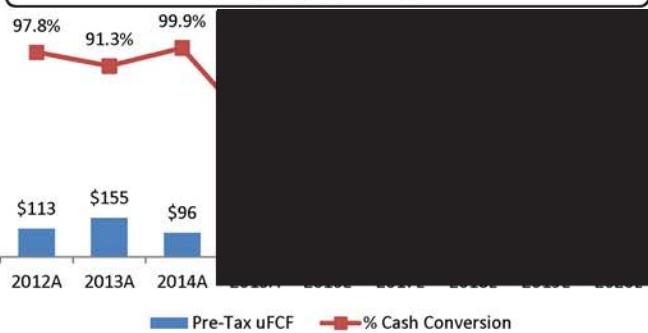
Consistent and strong top-line growth



Highly profitable with significant operating leverage



Consistently highly cash generative



Substantial contracted revenue coverage



(1) Due to change in working capital following injury-driven underperformance in 2014
(2) Adjusts for one-time HQ capex of \$62M

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Summary of Key Diligence Questions

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Key Diligence Focuses

- 1 Comfort on 2016 budget (See detailed budget pages)
- 2 Risk of “another 2014”
- 3 2015 too high of a PPV “base year”? Broader comfort in PPV model?
- 4 Comfort on live events ticket pricing sustainability
- 5 Fighter compensation inflation risk
- 6 Fighter lawsuit, fighter injury risk
- 7 Key man risk
- 8 Leverage levels in the near term
- 9 Other: Brazil, UFC Gym, New HQ, Legal, Tax, Accounting

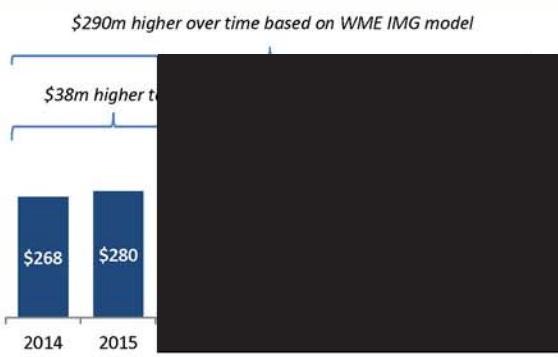
2 Risk of “Another 2014”

While the business carries some event-driven volatility, 2014 was a unique mix of bad luck and bad management – a combination that is increasingly preventable going forward

Summary

- EBITDA '13 – '14 dropped \$(74)M, in a combination of bad management and bad luck
- Since 2014: UFC contracted revenue continues to grow, muting volatility; UFC has improved at keeping quality undercard in tact as well as paying fighters to ‘stay ready’
- While the PPV nature of this business will always carry some risk, we think a fallout as dramatic as 2014 is highly-unlikely
- WME’s ability to build a broader base of stars is the ultimate protection and opportunity

Growth in Non-PPV/Event Revenue⁽²⁾



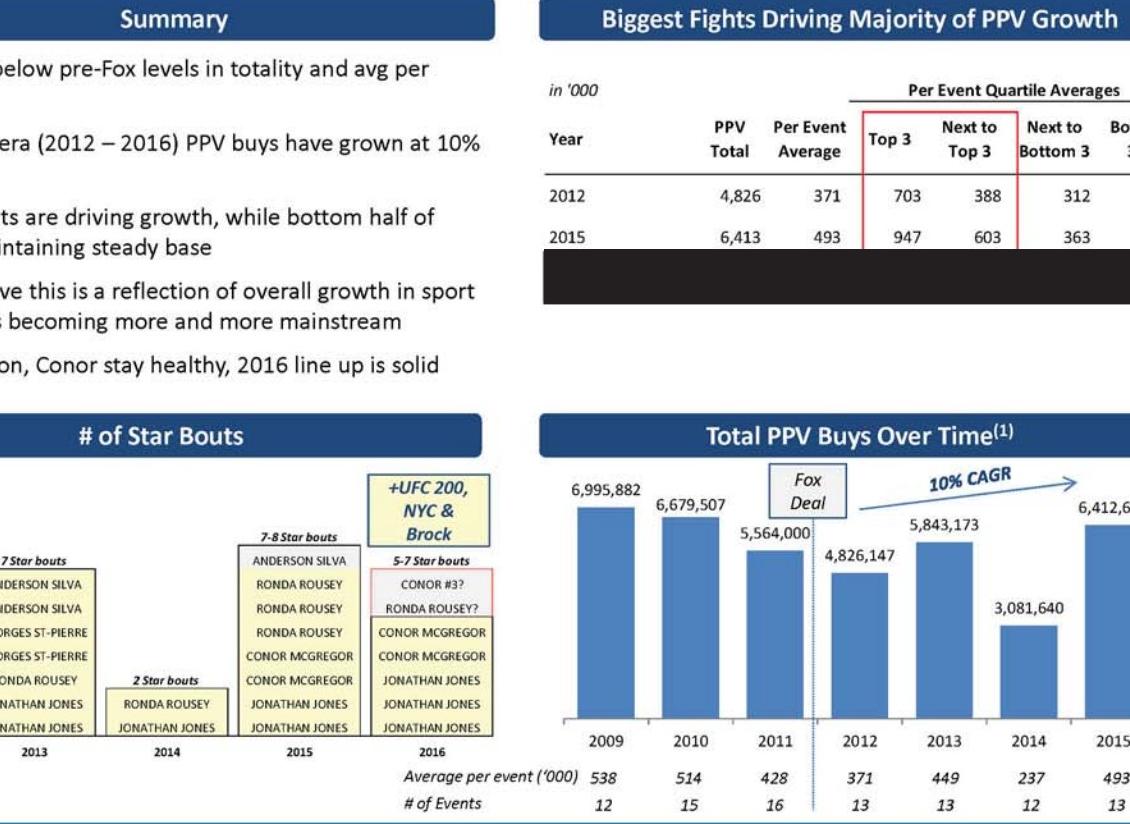
(1) If 2014 had same # of buys per event as 2013, revenue would have increased \$70m, assuming 18% of incremental revenue paid out to fighters (in line with 2013 share), EBITDA impact of \$58m.

(2) Note: Multi-year includes: Domestic and International media rights deals, sponsorship and licensing revenue. Event-driven includes: PPV, digital, and ticket sales.

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3 Risk of 2015 Being Abnormally High PPV Base Year

Historically, 6-8 bouts with big stars is “normal” and the key to PPV. 2015 was in line with historical norms. 2016 is in range, assuming Ronda/Jon/Conor remain healthy with quality opponents



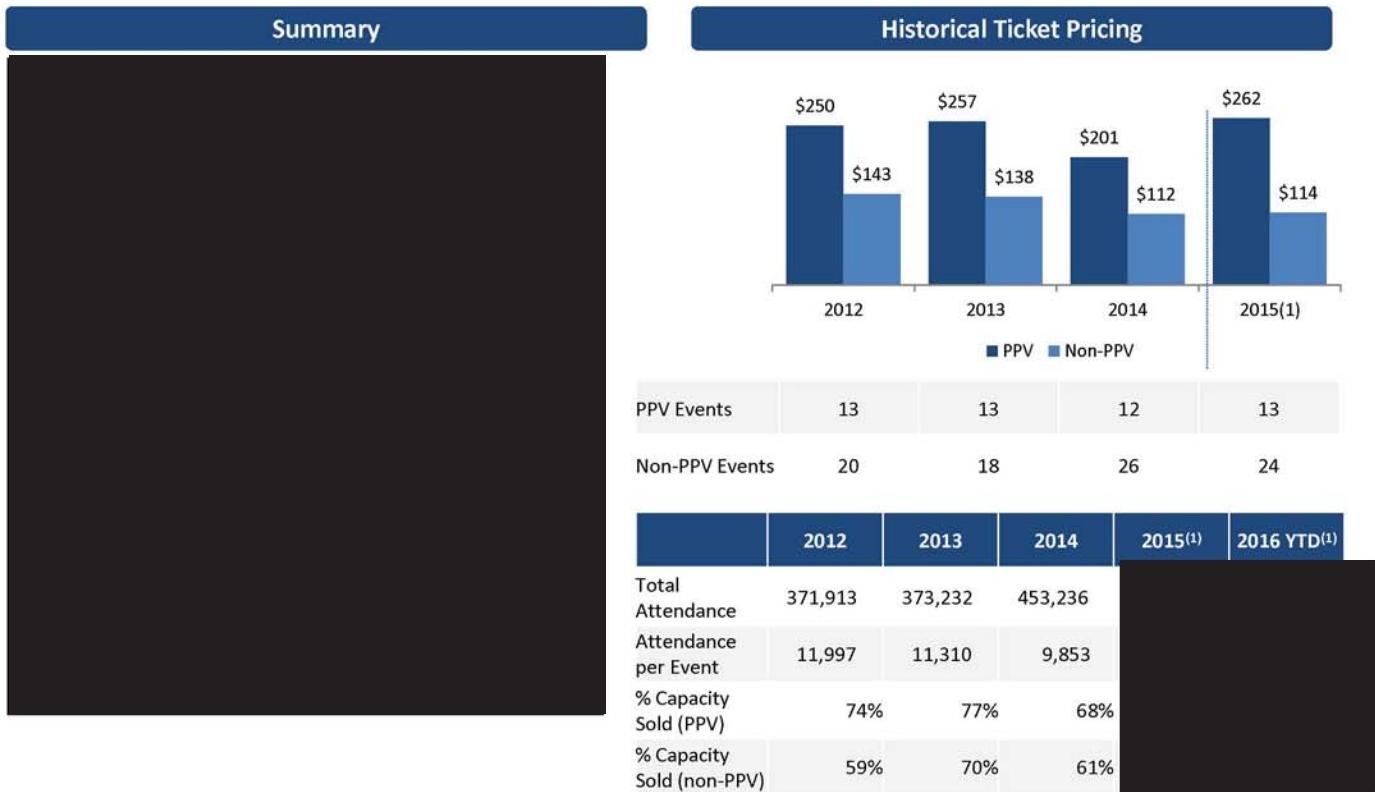
⁽¹⁾ Each year's total normalized for 13 events. Represents total residential PPV buys (cable, satellite, UFC.TV, Online)

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4 Live Events Demand and Pricing Sustainability

Overall ticket demand and pricing are solid historically, and YTD 2016 is seeing uptick in pricing on PPV and non PPV events



⁽¹⁾ Years with stadium events which drive total attendance up, at lower ticket prices.

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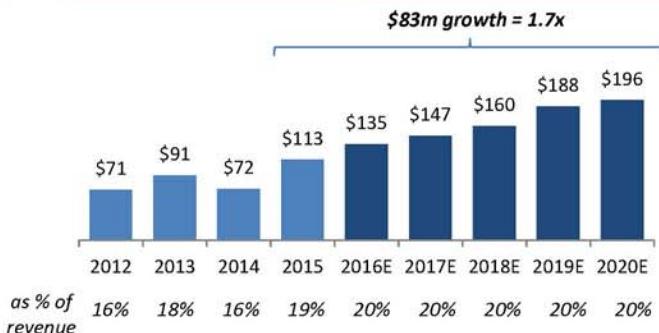
5 Risk of Fighter Compensation Inflation

Fighter comp was the most asked question by financing sources, and is a critical cost that we must actively manage. We believe our long-term 20% of revenue assumption is reasonable

Summary

- Historically fighters have earned 16-19% of revenues, although 2016 is projected by UFC at 22.7%, largely driven by one-time Brock cost and overly stacked UFC 200
- On one hand, 20% assumption is conservative in that fighters typically share more in event-specific revenue, and we might not expect same for 2019 broadcast deal growth, for example
- On the other hand, the trend line for UFC is moving modestly higher each year, and we've discussed other league comps
- While we see some modest upside and downside, we feel comfortable that nearly 2x cost increase (20% of revenue) for the exact same content stack is reasonable base case

UFC Fighter Costs



Bouts Remaining⁽¹⁾

Ranking	Average Remaining Bouts
Champions	6.5
Ranked 1 - 5	5.5
Ranked 6 - 10	3.6
Ranked 11 - 15	3.2
Total Ranked	4.2

League Comps

League	On a per-minute of 'field' time basis, UFC athletes are paid well above other sport peers			On a % revenue basis, traditional stick/ball teams are higher, motorsports are lower				
	NFL	MLB	NBA	F1	NASCAR	Golf ⁽²⁾	Tennis ⁽²⁾	UFC ⁽³⁾
Total Comp as % of Revenue	32%	45%	40%	c.10%	c.16%	c.35%	c.25%	19%
Top Player Comp as % of Revenue	0.2%	0.4%	0.4%	2.0%	0.7%	-	-	1.4%
Avg \$/min	\$2,199	\$127	\$1,163	\$8,020	\$725	-	-	\$8,224
Top Athlete \$/min	\$23,055	\$977	\$5,843	\$38,002	\$2,409	-	-	\$287,086

(1) Note: in total, 13 ranked fighters have 1 bout remaining.

(2) Golf and Tennis based off select WME IMG events.

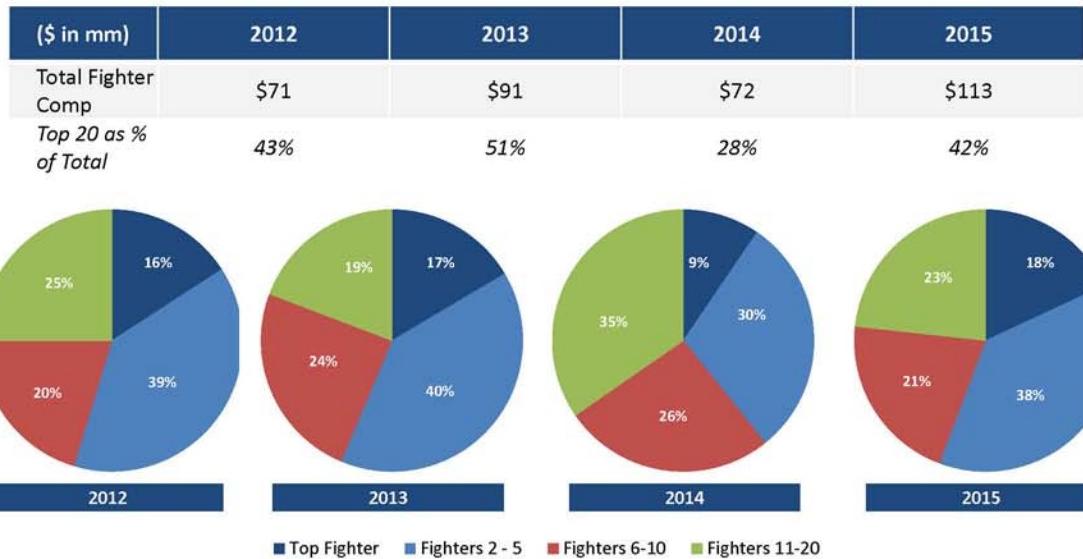
(3) UFC \$/min stats based on 30min of fighting annually and 2015's \$8.6m payout to top fighter. Note [REDACTED] expected to receive \$15m in 2016 (2.3% of 2016 revenues).

(4) Note: total comp as % of revenue and average \$/min for following leagues: NHL: 49%; \$531; MLS: 34%; \$100; EPL: 33%; £1,118.

5 Fighter Compensation

Top fighter comp continues to grow each year with revenue. Breakdown across top fighters has remained relatively consistent since 2012 (2014 was outlier year)

Top 20 Fighter Analysis





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7 Key Man Risk



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8 Leverage Levels in Context of Potential Business Volatility

Performance in the first 24 months and cost savings execution is critical while debt service coverage is tightest. Over time, expected growth in non-PPV revenue brings levels into typical range

Summary	Financials and Ratios (\$ in mm)																								
[REDACTED]	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; background-color: #004a99; color: white;">Illustrative PF2015</th><th></th></tr> </thead> <tbody> <tr> <td style="text-align: center;">Illustrative Adjusted EBITDA</td><td style="text-align: right;">\$189</td></tr> <tr> <td style="text-align: center;">Cost Savings</td><td style="text-align: right;">-</td></tr> <tr> <td style="text-align: center;">WME IMG Mgmt Fee</td><td style="text-align: right;">-</td></tr> <tr> <td style="text-align: center;">Illustrative PF Adjusted EBITDA</td><td style="text-align: right;">\$189</td></tr> <tr> <td style="text-align: center;">CapEx/Tax/Library Acquisition Costs/ΔWC</td><td style="text-align: right;">(\$79)</td></tr> <tr> <td style="text-align: center;">Illustrative PF Adjusted EBITDA (-) CapEx etc.</td><td style="text-align: right;">\$109</td></tr> <tr> <td style="text-align: center;">Debt</td><td style="text-align: right;">\$2,100</td></tr> <tr> <td style="text-align: center;">Cash</td><td style="text-align: right;">\$50</td></tr> <tr> <td style="text-align: center;">Debt Service⁽¹⁾</td><td style="text-align: right;">\$149</td></tr> <tr> <td style="text-align: center;">Net Debt / PF Adjusted EBITDA</td><td style="text-align: right;">10.9x</td></tr> <tr> <td style="text-align: center;">PF Adjusted EBITDA (-) Capex etc. / Debt Service⁽¹⁾</td><td style="text-align: right;">0.7x</td></tr> </tbody> </table>	Illustrative PF2015		Illustrative Adjusted EBITDA	\$189	Cost Savings	-	WME IMG Mgmt Fee	-	Illustrative PF Adjusted EBITDA	\$189	CapEx/Tax/Library Acquisition Costs/ΔWC	(\$79)	Illustrative PF Adjusted EBITDA (-) CapEx etc.	\$109	Debt	\$2,100	Cash	\$50	Debt Service ⁽¹⁾	\$149	Net Debt / PF Adjusted EBITDA	10.9x	PF Adjusted EBITDA (-) Capex etc. / Debt Service ⁽¹⁾	0.7x
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(1) Coverage ratio based on adjusted EBITDA less: foreign tax withholdings, maintenance capex, library acquisition costs, change in NWC and investments in JV's divided by debt service (interest expense plus: mandatory debt redemption of 1% on the \$1.55bn term loan(see later slides for full capital structure details)).

(2) Based on Adjusted LTM EBITDA as of Mar-30-16 as per Deloitte report and normalizes Q1 to include 13 events in the LTM period.

9 Other Diligence Notes

Topic	Commentary
Brazil	
UFC Gym	
New HQ	
Working capital	
Regulatory regime	<ul style="list-style-type: none"> • Zuffa holds various licensing, as do individuals (e.g. Dana), that allow it to put on fights in various jurisdictions. Need to stay on top of this post closing. Expect with Lawrence and Kirk sticking around, they will continue to do a good job. This has been core competency of Zuffa.
Sales Agency relationship	<ul style="list-style-type: none"> • Zuffa in a handful of international markets has hired rep firms to sell sponsor and media. We understand these deals are very limited, in small territories, and easily unwound

9 Other Diligence Notes

Topic	Commentary
Piligran	
Getty Agreement	
Library Acquisitions	
Muhammed Ali Boxing Reform Act	
Tax	
PPTV/China	

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2016 Budget Deep Dive

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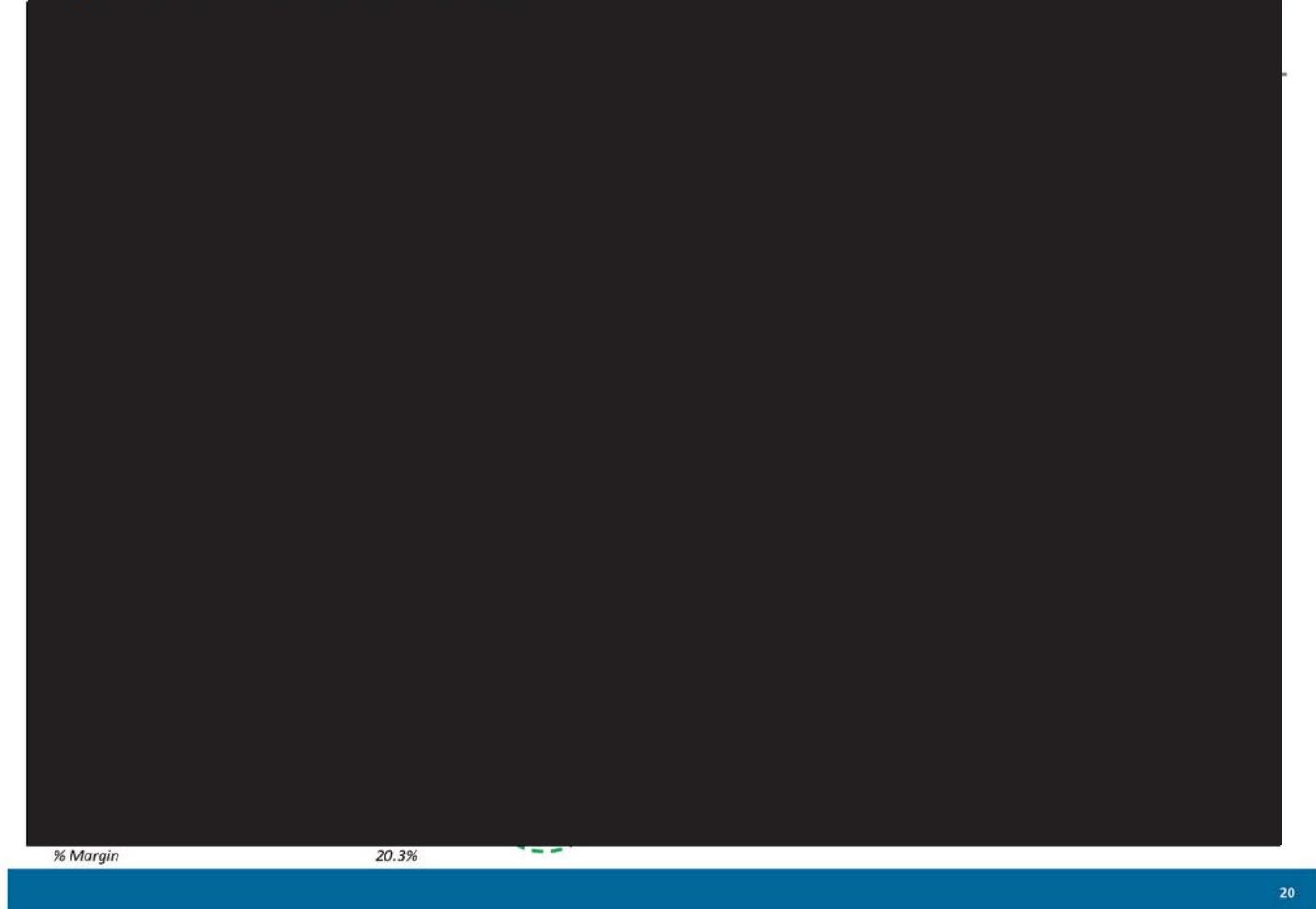
Q1 Performance vs Budget

Q1 beat budget EBITDA by \$2.1m, higher by PPV uptick on Conor-Diaz outperformance, and lower by sponsorship miss and timing of international media revenues



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Q2 Performance vs Budget



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2016 Full Year: UFC Original vs June Reforecast

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2016 Projection: UFC Forecast vs. WME IMG Range

(Continued)



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Fight Card Analysis

Event	UFC 195	UFC 196	UFC 197	UFC 198	UFC 199	UFC 200	UFC 201	UFC 202	UFC 203	UFC 204	UFC 205	UFC 206	UFC 207	Total
Event Date	1/2/2016	3/5/2016	4/23/2016	5/14/2016	6/4/2016	7/9/2016	7/30/2016	8/20/2016	9/10/2016	10/8/2016	11/12/2016	12/10/2016	12/30/2016	
Location	Vegas	Vegas	Vegas	Curitiba	Los Angeles	Vegas	Atlanta	Vegas	Cleveland	Dallas	New York	Toronto	Vegas	
Original Budget														
Current Forecast														
Exceed / (Miss) vs. Budget														
Yellow = title fights														
Anticipated Fighter Match Ups														
vs	Lawler Condit	McGregor Diaz	Jones OSP	Werdum Stipe	Rockhold Bisping	Jones DC	Lawler Woodley	Diaz McGregor	Stipe Overeem	MW Champ Rousey	WBW Champ	Jones Rousey	LtHW Champ	
vs	Miocic Arlovski	Holm Tate	DJ Cejudo	Belfort Jacare	Cruz Faber	Lesnar Hunt	DJ Heis		LW Champ A. Silva	SW Champ U. Hall	BW Champ CM Punk	FlyW Champ	WW Champ	
vs			Pettis Barboza	Rua C. Anderson	Hendo Lombard	Tate Nunes								
vs			Cyborg Smith	Poirier Green		Aldo Edgar								

<u>Brock Historical PPV Performance</u>		
Event	Date	Buys
UFC 81	2/2/2008	519,399
UFC 87	8/9/2008	527,445
UFC 91	11/15/2008	743,627
UFC 100	7/11/2009	1,299,118
UFC 116	7/3/2010	900,266
UFC 121	10/23/2010	820,698
UFC 141	12/30/2011	550,730
Average		765,898
Average Last 4 Events		892,703

<u>Big Boxing Dates for Remainder of '16:</u>		
	[tbu]	

<u>PPV Event Locations '17:</u>	
UFC 208	21-Jan TBD
UFC 209	11-Feb Barclays Center
UFC 210	4-Mar Las Vegas Arena
UFC 211	8-Apr First Niagara Center
UFC 212	13-May TBD
UFC 213	3-Jun HSBC Arena - Rio
UFC 214	8-Jul Las Vegas Arena
UFC 215	5-Aug TBD
UFC 216	9-Sep Las Vegas Arena
UFC 217	7-Oct Las Vegas Arena
UFC 218	4-Nov MSG
UFC 219	2-Dec TBD
UFC 220	30-Dec Las Vegas Arena

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Illustrative: PPV Sensitivities

(\$ in mm)

Total Δ Buys to UFC 2H 2016 Budget	Revenue Impact
[REDACTED]	[REDACTED]



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Sponsorship Supporting Analysis

(\$ in mm)

Summary

2016 Pipeline and Sponsorship Gap

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Capitalization & Returns

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UFC Analysis at Various Prices

(\$ in M)

Note: tax asset
value subject to
change



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Sources & Uses, and PF Capitalization

(\$ in M)



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WME IMG Base Case Financial Projections



(1) Debt service includes interest expense plus mandatory amortization of term loan.

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Projections Sensitivity Analysis

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UFC Equity Returns

(\$ in millions)



Note: assumes \$2.1bn of debt at a c.6.5% weighted average cost of debt (\$1.55bn TL at L+425 and \$550m notes at L+850, assumes 1% Libor floor), \$300m preferred equity with 14% cost of capital (PIK) and 10% mgmt equity option pool.

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UFC Equity Returns: Sensitizing US Media & Fighter Comp

(\$ in millions)



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WME IMG Equity Returns from UFC Investment



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High Level Accretion / Dilution

(\$ in M)



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Appendix

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Financial Projections

(\$ in m)

(\$ in millions)	Fiscal Year Ending December 31,								
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Total Content Revenue	\$305	\$377							
Live Events Revenue	56	62							
Sponsorship Revenue	52	57							
Consumer Products	32	19							
Total Revenue	\$445	\$515							
<i>% Growth</i>		16%							
Athlete Costs	(\$71)	(\$91)							
Production Costs	(95)	(84)							
Marketing Costs	(41)	(47)							
Other Cost of Sales	(29)	(31)							
Total Cost of Sales	(\$236)	(\$254)							
Gross Profit	\$209	\$262							
<i>% Margin</i>		47%	51%						
Overhead	(\$135)	(\$117)							
Cost Savings	—	—							
Adjustments	41	26							
WME IMG Agency Fee	—	—							
PF Adjusted EBITDA	\$115	\$170							
<i>% Margin</i>		26%	33%						
(Increase) / Decrease in Working Capital	13	2							
Maintenance Capex / Library Acquisition Costs	(7)	(7)							
Investments in Joint Ventures	(8)	(10)							
Building / Growth Capex	—	(8)							
UFCF	\$113	\$147							
<i>% Margin</i>		98%	87%						

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Sponsorship Pipeline Details



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